

October 28, 1959

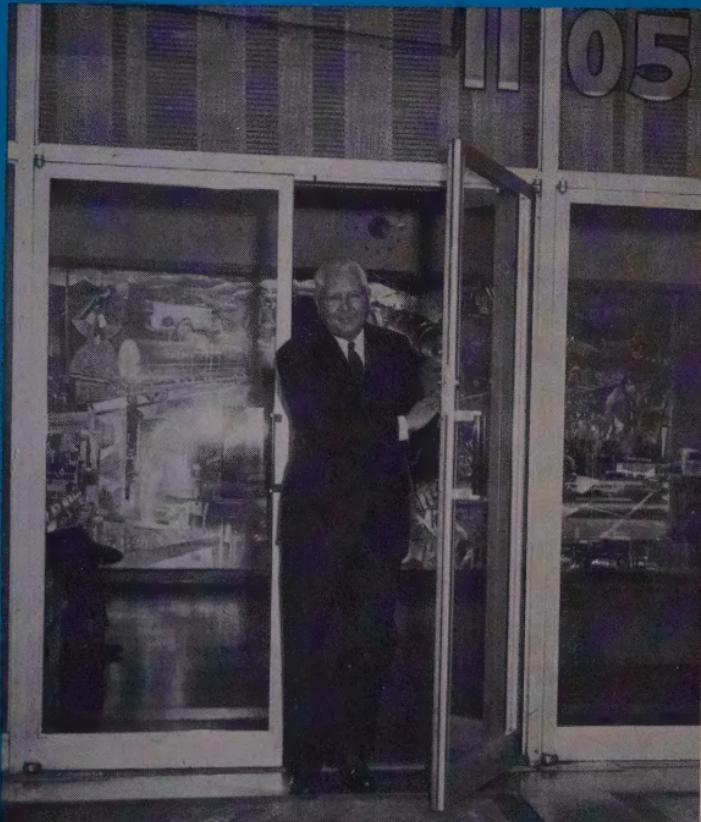
Investor's Reader

For a better understanding of business news

NOV 2

CHICAGO

1105



ERNEST HART
OPENS NEW DOORS
FOR FOOD MACHINERY
(see page 12)



SOLID SOUNDS

This pleasant looking stereo fan admires the Bogen AM-FM amplifier-tuner, one of the thousands of specialized parts and components from which today's hi-fi addicts can choose as they piece together their private electronic music hall. This particular tuner is made by the Bogen-Presto division of Siegler Corp, one of the 125 exhibitors at the New York High Fidelity Music Show this month.

The Show's theme: "Decorate Your Home with Music," a happy industry tune which

already resounds with full orchestral vigor and is scored for a further rise in volume. Joseph N Benjamin, who heads Bogen-Presto and doubles as president of the Institute of High Fidelity Manufacturers, predicts "retail sales of component high-fidelity equipment this year will show a 15% rise over the 1958 record of \$260,000,000. Sales should reach \$300,000,000." He amplifies: "The first half of 1959 was slow but this was mainly at the factory level. Many dealers had built up large inventories after stereo came out last year.

"Now however, most of the merchandise has been closed out and shipments are on the rise again" with manufacturers expanding lines for an "outstanding Fall and Christmas season."

Many members of the swelling stereo chorus (especially in the components section) are small, privately owned independents like Long Island's Marantz Company, Pennsylvania's Neshaminy Electronic Corp and Dynaco Inc, Connecticut's Karg Laboratories and Klipsch & Associates of Arkansas.

But both in complete sets and components, there is a goodly representation of such well-known Big Board habitués as stereo pioneer Magnavox (IR, Aug 6, 1958), RCA, Motorola, GE, Philco, Ampex and the Stromberg-Carlson division of General Dynamics. The head of one of the independents admits: "The next few years will show who can survive. Quite a number of the little fellows will probably go under and a lot of others will no doubt be merged into bigger ones."

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Investor's Reader

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BUSINESS AT WORK

WALL STREET

Historical Note

THE DATE of this issue marks the most doleful anniversary in US financial annals. Exactly thirty years ago the Dow-Jones industrials (already down more than 80 points from their Labor Day pinnacle) mirrored the market collapse with a 38-point drop to 260 on a volume of 9,200,000 shares. This was followed the next day by the 16,400,000-share "Black Tuesday" during which the industrials dipped to an intra-day low of 212 but ended the wild trading period at 230, off a "mere" 30 points for the day.

LOMBARD STREET

Tory Market

WHEN Harold MacMillan and his Conservative party marched off with the British general election the London Stock Market marched off to the races. As the Prime Minister doubled his Parliamentary ma-

jority, the stock market added 16.1 points to its industrial average, all in one joyous and hectic post-election day—the largest one-day leap ever on the London Exchange. Volume too was a record 25,372 transactions. The good going has continued. At presstime the London *Financial Times* common share index stood at an alltime high of 290.7, a 37.2 point rise in a little over two weeks.

Election elation gets the credit. The Tories are expected to provide a favorable business atmosphere with easing of import quotas on US goods, moves towards convertibility of the pound, increased trade with Iron Curtain countries, pressure on credit and wage rates to help stabilize prices.

Leading gainers in the British bull market were steel, banking, brewery, building materials, chemical, food, investment trust, plastics, retail, textile and tobacco shares.

Understandably, by far the biggest emphasis was on steel—the only industry actually threatened by renationalization by the no-longer-so-socialist Labour party. United Steel Corp at 64s 4 $\frac{1}{2}$ d (\$9) at press-time was up from 41s (\$5.74) on September 30.

In recent years the British market has lagged behind other stock markets (IR, June 10). While the US market has tripled since 1950 and the German stock market has increased fivefold, the British market—even with its spectacular post-election gains—is still only 1 $\frac{1}{2}$ times the 1950 level.

DRUGS

Pfizer Synthesis

THE PIONEER developer of mass produced penicillin, Chas Pfizer & Company of Brooklyn, last week announced development of a synthetically-modified form of the "miracle drug," named it Maxipen. The process which combines fermentation (the natural method of producing penicillin) with organic synthesis "appears to have marked advantages over any form of penicillin now available."

The new drug "is still in the testing stage" and it is too early to predict its effectiveness on penicillin-resistant or allergy-prone users. But Pfizer scientists do claim Maxipen produces concentration in the blood "several times higher than the highest levels now available with the original penicillins or their modifications." This is important since the level of an antibiotic in the blood stream is the usual measure of as-

surance the drug is reaching the site of infection. "The better stability of Maxipen" makes it adaptable for oral intake rather than injection.

Maxipen may have given Pfizer a jump on fellow druggist Bristol-Myers. This Spring Bristol and London's Beecham Group Ltd teamed in a cooperative research program to develop "tailor-made" penicillin. The Beecham process which it licensed to Bristol-Myers for exclusive US distribution is similar to the Pfizer method. So far Bristol-Myers has not introduced a specific new drug as a result of its studies.

While working on Maxipen, Pfizer has brought out a number of other new drugs this year including Niamid for mental depression, Enarax for peptic ulcers and Diabinese, an oral diabetic drug.

Such Pfizer products have drummed up a big increase in company volume. In the first half of 1959 sales climbed 15% to \$123,000,000. However earnings failed to keep pace, declined slightly to \$11,400,000 or 69¢ a share from 71¢ (adjusted for a 3-for-1 split in April) in the same 1958 period. The company attributes the bulk of the drop to price weaknesses in penicillin, streptomycin, steroids and vitamins.

Apparently the same factors were still at work in the September quarter. While final figures for the nine months are not yet available, outsiders look for profits to remain around the \$1.06 reported in the first nine months of 1958. For the year as a whole Wall Streeters figure earnings at \$1.50 a share or a couple of pennies above 1958.

OIL

Indiana Chemical Coup

AROUND the middle of next year a massive, \$2.8 billion-assets Standard Oil of Indiana will complete a big step with a brand new product which it hopes will have a major impact on the entire protective coatings industry. At that time Standard subsidiary Amoco Chemicals Corp is scheduled to open a multi-million pound trimellitic anhydride installation at Joliet, Ill., "first stage in Amoco's plans for full-scale commercialization of trimellitic anhydride."

This tongue - twisting chemical, dubbed "Trimlan" by Amoco chemists, was first developed just about a year ago. Preliminary tests on pilot plant quantities by potential customers indicated such a promising future the company decided to go ahead with further production, broke ground for the new "semi-works" plant in August.

Should further tests prove as successful, Amoco will swing into full scale production either by expanding the new facilities or building an entire new plant and leaving the "semi-works" unit for use in the development of other new chemicals. Such a staged procedure is often used in the introduction of a new chemical as snags often crop up in tests of larger quantities of a new material which are absent or unnoticeable in pilot plant tests.

The "something special" in Trimlan comes from Amoco's "unique new oxidation process" using crude petroleum byproducts. It has a score of valued potential uses. For instance, water-soluble baking fin-

ishes derived from Trimlan produce a high gloss without the use of organic solvents, are safer and easier to use than their organic solvent-based counterparts and more aesthetically pleasing than other water-based finishes.

Another kind of coating based on Trimlan imparts remarkable flexibility to finishes on textiles and rubber. Amoco demonstrators happily smear a rubber band with some of the stuff, twist the band in extensive contortions, then unwind it and proudly display the uncracked coating still firmly adhering to the band. Other potential applications include polyesters, printing inks, plasticizers.

Trimellitic anhydride is only one result of the special Amoco oxidation process. The innovating chemical subsidiary has another plant at Joliet which will soon turn out phthalic anhydride and isophthalic acid, two ingredients used in alkyd paints. Another product from the same process: terephthalic acid which goes into synthetic fibers and films.

Amoco chemists cautiously warn it is as yet too early to predict what contribution Trimlan will make to Amoco and Indiana Standard profits. But to date "interest by potential customers is keen."

Indiana set up Amoco Chemicals in 1957 as a new subsidiary to integrate company chemical activities and to utilize its oxidation process. Though only a baby in Indiana Standard's big oil family (total chemical sales of \$26,700,000 accounted for a mere 1.4% of Indiana revenues last year) Amoco Chemicals is nonetheless an exciting child.

STEEL The World Prods Uncle Sam



THIS TAG tells a tale of increasing concern for America's steel industry. This "made in Germany" wire coil has become a familiar sight on US shores. So have the other scenes pictured here: the French wire (below) and German rebars (below, right); the reinforcing bars being unloaded by the Norwegian ship at the upper right and, if you turn the page, the rows of petite Renaults clad in native French steel neatly lined up in a Calumet Harbor storage lot behind the link fence (an American product at last).

The pictures are part of a series by staff photographer Robert McCullough of *Inland News* to tell Inland Steel workers about the St Lawrence Seaway. In opening up "America's Fourth Coast," the billion-dollar Seaway (IR, May 27) brings not only more business to the midcontinent area but also more competition. However, the Seaway is only the newest channel for steel imports; foreign-made steel items land at virtual-

ly every US port and, especially in the case of some products like nails and barbed wire, have found their way well inland.

Nor is this a strike-born phenomenon. The chart on page 6 clearly shows the crisscrossing "X" pattern of the nation's steel exports and imports since the start of last year (and since the latest Commerce Department figures are for August, only the first six weeks of the strike even show up on the chart). Imports gained most every month while exports dropped. The once comfortable balance in favor of exports was wiped out by last December and imports have been ahead by widening margins in every month since.

While the big surge which led to the crossing of the "X" really picked up speed early last year, the American Iron & Steel Institute looks back and reports during the 1949-58 decade exports shrank 37% while imports gained 467%. For the full year 1958, exports were still ahead



by 2,700,000 tons to 1,700,000 for imports. But this year seems certain to be the first since early in the Century during which imports topped exports.

Again steelmen emphasize this is not because of the strike since in the strike-free first half imports had already run up a lead of 1,910,000 tons to 1,040,000. In fact, imports headed lower in August and are expected to continue relatively moderate since the recovery from the mild recession abroad has upped demand for steel by key non-US users and (along with the strike here) has produced both a boost in many price tags and a stretchout of available delivery dates.

One big reason for the foreign upsurge is simply the recovery from the wartime shambles when most European and Japanese mills were knocked out. Now the foreign mills have been rebuilt (in good part with US funds and metal) with modern, highly efficient equipment and are able to supply not only their home



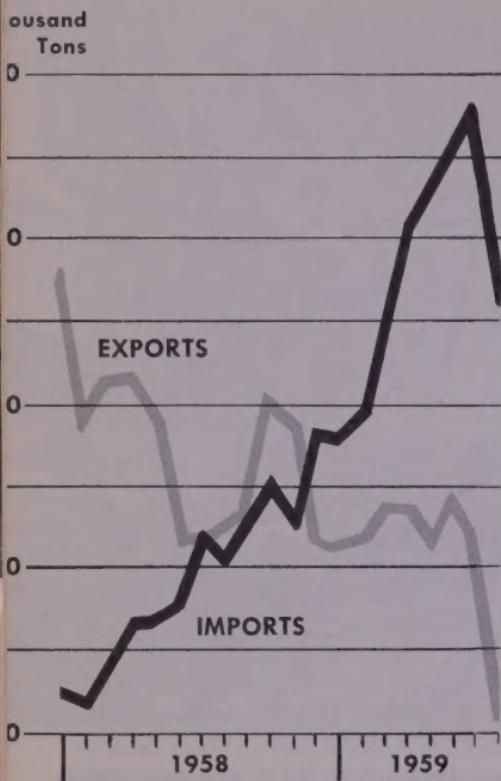
markets but look for new customers. The wider production base possible through the European Common Market is expected to further strengthen the competitive stature of the continental steelmakers.

But the chief concern of the US steel producers is the wage differential. They claim American steelworkers for instance get 3½ times the pay of their counterparts at leading German producer Phoenix Rheinrohr but produce only 1½ times as much. Figures like this are behind the determination of steel management to avoid wage hikes and working rules which would price American steel out of the market.

Considering the nation's total steel



STEEL CROSSROADS



volume of about 115,000,000 tons (in a strikeless, recessionless year), the total impact of exports and imports is of course small. But for many individual products the figures are more painful. For instance in the first seven months of 1959 imports

accounted for 55% of barbed wire supply, 38% of wire nails and staples, 28% of wire fencing, 27% of concrete reinforcing bars.

All this has raised assorted cries for tariff and quota protection but many steelmen realize this is not an effective answer. Inland Steel president John F Smith Jr warns: "Return to the protection policies of the Twenties would in the long run be detrimental to the nation and therefore to Inland and the steel industry." He adds: "From a strictly selfish point of view we must remember we are wholly or partially dependent on other nations for many vital materials (including more & more iron ore) whose availability and cost could be seriously affected by a restrictive American trade policy. Furthermore, the vitality of many Free World nations depends greatly on relatively unrestricted world trade. This is one of the major bulwarks against further Communist expansion."

Thus steelmaker Smith wants to resort to the nation's most effective weapon: "Take full advantage of scientific and technological improvements to hold costs down and improve the quality of our products."



COAL Peabody Plans

THE LARGEST producer and the largest consumer of coal for electric power have come to terms in a big way. Early this month Peabody Coal Company of St Louis agreed to supply the Tennessee Valley Authority with 65,000,000 tons of coal over a 17-year period beginning August 1962. TVA will use the coal to fuel the \$100,000,000 steam-electric generating plant soon to be built in the Green River near Paradise, Ky.

Peabody's wealth of reserves in the immediate area made it a natural to get the fuel nod. An entirely new mine will be opened up to feed the plant and coal will be stripped and delivered unwashed directly to the TVA hoppers in a matter of minutes. Because of this unique relationship Peabody can deliver coal for \$2.95 a ton or about 25% less than the average price TVA usually pays.

The agreement was a natural in another way for the nation's No 2 commercial coal operator (Consolidation Coal is first). Unlike fellow soft coal miners who have a wide variety of industrial as well as utility customers plus a stake in the retail and export markets, Peabody sticks mainly to utilities. Last year utility sales accounted for 70% of the 23,220,000 tons sold, most of which was provided under long-term contracts to about 20 major customers. Most major of all: Commonwealth Edison which accounts for one-fifth of total Peabody volume.

Industrial users bring in 22% of sales. But since only a fraction of

these shipments go to steel (one mine of the 28 now operating) Peabody has not been badly affected by the prolonged strike. The final 8% goes to railroads, house heating, etc.

To get its coal to its customers Peabody maintains a whole or part interest in several short-line railroads and barge loading facilities on the Mississippi, Ohio, Illinois and Green Rivers. These are strategically located to serve its mines in Indiana, Illinois, Kentucky, Missouri, Ohio and Oklahoma.

Last year Peabody bought its long-time carrier, Mid-America Transportation Company, now has four tow-boats and 90 barges in its fleet. In another expansion move early this month it joined forces with customer Tampa Electric and with Virginia-Carolina Chemical to form two shipping lines—Gulf Transit and Mid-South Towing. The lines will transport coal south to Tampa Electric's Gannon power station and bring back a payload of Virginia-Carolina phosphate products on the return trip.

Still another acquisition was made last August when Peabody issued 258,000 shares of common for Sunnyhill Coal Company of Ohio. Sunnyhill's mine should help bring total sales this year to over \$100,000,000 v \$92,600,000 in 1958. On this basis management figures earnings on the 9,680,000 common shares now outstanding in the neighborhood of \$1.15 a share v \$1.01 last year. Earnings for the first half were 56¢ a share, up from 47¢ a share last year.

Since 1957 Peabody has been headed by Merl C Kelce who serves

as president and chief executive officer. He came to the company through the 1955 acquisition of a group of coal mining operations known as the Sinclair Companies which more than doubled Peabody's assets. Board chairman is Frank Stillman Elfred who took the post last year after retiring as executive vice president of Olin Mathieson Chemical Corp.

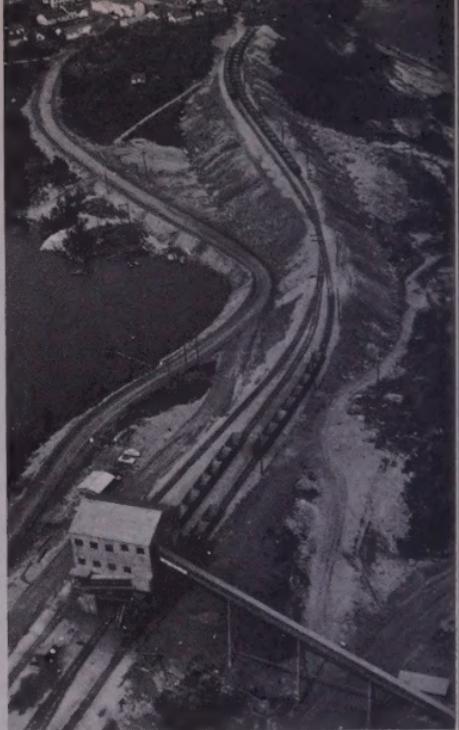
Recently asked about the effect of higher earnings on the current 10¢ quarterly dividend rate, president Kelce replied: "Speaking personally and not for the directors, I don't see a dividend increase in 1959." Chairman Elfred agrees. Also "speaking personally" from his St Louis office last week he reasoned: "The company will use its cash flow on improvements." At the present rate Peabody common which last week traded on the Big Board around 16 yields just 2.5%.

MINING

Steep Rock Story

THE VENERABLE but energetic Cyrus Stephen Eaton has many financial interests. Doubtless one of his favorites is Steep Rock Iron Mines Ltd, an \$84,000,000-assets iron ore producer with some 7,000 acres of property north of Lake Superior in western Ontario. Founded in 1939 as successor to an exploration company, Steep Rock shipped its first ore (16,600 tons) in 1944, now ships close to 3,000,000.

This remarkable growth has been somewhat reflected in Steep Rock stock. The 8,045,000 shares which are listed on the Toronto Stock Exchange trade around 12, more than



Steep rocks at Steep Rock

14 times their low of 81¢ in 1942. However this is far below the hefty 28 high scored in 1956, a banner year for the company. It is also three points below the high of earlier this year.

Last week 76-year-old Cy Eaton, who serves as chairman of the husky mining company, held a private audience amidst the simple splendor of his paneled office on the 36th floor of Cleveland's Terminal Tower. Sitting not across from his visitor but alongside at the big antique desk, the tall distinguished financier ticked off some vital Steep Rock statistics:

- Thanks to a two-year contract with the Steelworkers signed in July, Steep Rock has operated right through the steel strike, shipped 2,206,500 tons of ore in the first nine

months of this year ν 824,000 for the like period a year ago. The full-year total should be 2.6-to-2.7 million tons ν 1,156,000. This will be the second largest tonnage in company history. Biggest year was 1956 when it shipped 3,317,000 tons but recession cutbacks forced a steep Steep Rock decline in 1957 and 1958.

● Net income should come to \$7,000,000 or 87¢ a share, a sharp comeback from recession-harried 1958 when the company earned only \$1,386,000 or 17¢ a share. But it is still well shy of top year 1956 when the company tallied \$1.64 a share.

● Steep Rock is in a strong cash position, with \$10,000,000 in cash and short-term investments. Moreover, Steep Rock expects to start receiving royalty payments next year from Inland Steel which leases 1,200 acres from the company in the northeastern sector of its holdings. In several years payments from Inland are expected to amount to 40¢ a Steep Rock share. Next year Inland, which has already spent \$60,000,000 in preparing the property for mining, expects to mine 1,000,000 tons, will eventually boost its take to 3,000,000 tons a year.

● Steep Rock has paid no dividends to date and "there has been no pressure from stockholders. We haven't invited investors to come in with the idea of a high yield. We have put the money into property and new opportunities." But when Inland gets into full operation chairman Cy plans "to allot the income from the Inland royalty to dividends for stockholders."

Steep Rock has operated busily during the steel strike despite the shutdown of 85% of the US steel industry. Notes chairman Cy: "There is more demand for ore than Steep Rock can meet. But if we had known the strike was going to take so long, we could have mined and shipped more ore for companies still in production." However "mining plans were made a year ago" and that was too early to predict the present demand.

One customer still in production: Detroit Steel Company which takes 20% of Steep Rock ore. Entrepreneur Eaton takes personal interest in Detroit Steel (which he predicts will earn \$4 a share this year ν 31¢ in 1958) since he is chairman of

Miner Cy Eaton



Portsmouth Corp which owns 25% of the Detroit company.

Other consumers of Steep Rock ore: the steel divisions of Ford Motor Company and International Harvester, and Canada's Algoma Steel. Some ore is also being stockpiled by the railroads.

When the steel strike is finally settled, Steep Rock stands to benefit from an extended Great Lakes shipping season for its ore. As steelman Eaton sees it: "Strikebound companies will attempt to meet a possible winter ore shortage by keeping navigation on the Lakes open as late as possible and opening it as early as possible."

As for the strike, early settler Eaton says: "Maybe both sides will regret it. Public opinion should have a profound effect on both sides. Sometimes we let a word like 'inflation' take possession of our lives."

Along with its current and post-strike shipping prospects Steep Rock has a number of other interests. In a roundabout way, salesman Eaton mentions "our seasoned and very reliable" geological department. He remarks on its high standing with Provincial mining departments: "It has the sterling stamp upon it. Our geologists are frequently offered information about petroleum and mining opportunities." As for any new enterprises "we think we have some good things on property we have under option" and "our importance as an iron ore producer should grow as the Mesabi Range mines in Minnesota are depleted."

In addition to chairman Eaton the Steep Rock executive offices are

staffed by a number of "dedicated mining men" who are given responsibility and are "not cramped by distant interference." Typical of the "young and aggressive leadership" of the company is M S "Pop" Fotheringham, 43 - year - old Steep Rock president and general manager. A mining engineer who went to work at Steep Rock when there was only a one-room house by the side of the lake, Pop Fotheringham was cited last year as top Canadian mining man. "Canada is proud of him and so am I," asserts chairman Eaton.

And not a small factor in the Steep Rock story is Cy Eaton himself, a crack financier who also chairs the Chesapeake & Ohio Railway and West Kentucky Coal Company, holds a seat on the boards of Cleveland-Cliffs Iron, Cleveland Electric Illuminating and Kansas City Power & Light. But Cy Eaton has a special fondness for Canadian enterprises for that is the land of his birth.

TOBACCO Philip Morris Studies

WITH THE AID of Virginia politicians, a massive press corps and Johnny in his familiar bellboy garb, Philip Morris Inc formally dedicated its multi-million dollar research center in Richmond late last month. Named in memory of the company's late president O Parker McComas, the five-unit center is located on a 65-acre tract a few miles from the city on the Richmond - Petersburg Turnpike. Current president Joseph F Cullman III said: "The aim of our research here is extremely practical. The cen-

ter is organized and built with the expectation that it will contribute to the overall growth and profitability of our company."

The center's staff of 160 researchers and technicians with the aid of five automatic smoking machines will study the tobacco and smoke qualities of some 312,000 cigarettes a year. Prexy Cullman says efforts will be concentrated on aging and curing processes, taste and flavor testing and new filter materials and designs etc. The thornier aspects of smoking, namely its effect on health, will be left to the efforts of the Tobacco Industry Research Committee to which Philip Morris contributes annually.

McComas technicians will also do research on products of two subsidiaries, Milprint (packaging & paper) and Polymer Industries (adhesives & textile chemicals). The non-tobacco subsidiaries are increasingly important to their parent and will contribute an estimated 12-to-15% to total sales this year. And according to research director Dr Robert DuPuis "their products have a close technical relationship to tobacco since the principal raw materials in each case are natural and synthetic polymers and resins."

New Flips. Philip Morris research has justified its new plush quarters. Back in 1955 it engineered the first flip-top box for Marlboro cigarettes and this brand has since become the company's biggest seller. The company also took over Parliament, the first nationally distributed filter; and Spud, a pioneer in mentholated cigarettes. All in all president

Cullman reports: "Some 80% of all our sales this year will be in products we did not have five years ago."

On the other counter, sales of non-filtered Philip Morris, once the company's top smoke, continue to decline. To a considerable extent this reflects the industry trend away from "regulars."

But to Joe Cullman and his stockholders, it is Philip Morris the company, not Philip Morris the brand, which counts. And here the trend is up: "Reflecting continuing sales gains for our major filters, Marlboro, Parliament, Benson & Hedges, along with our subsidiary Milprint, sales increased 5% and net income 13% in the first half." Specifically, six-month sales totaled \$226,000,000 while profits came to \$8,500,000 or \$2.42 a share. For the quarter just ended Philip Morris is expected to report an additional \$1.45-to-1.55.

For the full year the company has tabbed \$5-to-\$5.50 a share as "a reasonable estimate." However with the "sensational" reception of its new lightly mentholated Alpine (introduced in August) Philip Morris has revamped its marketing program, plans to distribute it throughout the country at a cost of roughly \$4,000,000. This outlay will be felt mostly in the fourth quarter but treasurer Chandler Kibbee doubts "if there will be more than a 10¢ variation in reasonable estimates of earnings for the year."

At any rate Philip Morris which has paid dividends for 31 consecutive years and a \$3 disbursement for the past nine will amply cover its handout this year.

Food Machinery's Forward Formula

Research Results Produce Diversification Depth And Rising Records

MANY a company will soon come out with nine-month results which, no matter what, cannot help but look good compared with recession-dampened 1958 figures. However \$290,000,000-assets Food Machinery & Chemical Corp of San Jose, Cal rounded the three-quarter turn on its race toward expected 1959 sales & earnings records with the pleasant handicap of a 1958 income statement which itself set recession-resistant highs.

Full-year gross in 1958 increased 3% to a record \$323,000,000 while net income advanced 4% to \$16,500,000 (\$2.38 a share) from the \$15,900,000 (\$2.30) of 1957. As a result of this strong showing, Food Machinery confidently split its shares 2-for-1 last year and hiked the dividend on the new shares 20% to the present 30¢ quarterly rate. On the Big Board, FDM stock last year advanced to an alltime high of 46 1/4, a mark surpassed in 1959 by the new high of 55 3/8 (current price: 51).

Happy handicap or no, FDM is now on its way to what will be its tenth consecutive sales & earnings record. In the six months ended June gross hit \$184,000,000 compared to \$157,000,000 in the first half of 1958; profits swelled to \$1.63 a share v \$1.19. Full-year results are pegged by president Ernest Hart at "more than last year" and by Wall Streeters at \$2.75-to-3.

Formula for Food Machinery's

steady and sturdy progress is "our company's long established program of planned diversification," a program which now embraces a product roster from pea pickers to petrochemicals to launcher-erectors for guided missiles. For instance, although machinery sales were off 6% last year and chemicals 2%, defense business zoomed up 37%; this year lower defense billings will be more than countered by powerful pickups in machinery and chemicals.

The "long established" designation of Food Machinery diversification dates back to 1928 when San Jose neighbors Bean Spray Pump Company (agricultural machinery) and the Anderson-Barngrover Manufacturing Company (canning machinery) merged to form what was shortly to become known as Food Machinery Corp (IR, June 20, 1951). The "planned" part of the program is merely the result of determined follow-through on possibilities of each product; for instance pea pickers lead into packaging and freezing equipment, materials handling devices, agricultural chemicals—all of which open up whole new fields of development on their own. The planners: chief executive Paul Davies (president 1940-56, chairman since) and president Ernest Hart.

Chemical Conquest. In fact one of the best examples of FDM diversification history is the career of president Hart. Michigan State grad Hart started with Food Machinery in 1915 as a research chemist in the Niagara agricultural chemicals divi-

sion in Middleport, NY. Then in the Forties under the leadership of Paul Davies Food Machinery decided to smooth out "the picket fence of our sales curve caused by the cyclical capital goods machinery business" by broadening its chemicals line.

In his handsome office at the company's streamlined San Jose headquarters, Ernest Hart reminisced: "I was considered the agricultural chemical expert at that time—now we have lots of them." Soon after the big curve-smoothing move—the 1948 acquisition of basic chemicals producer Westvaco Chemical and the introduction of "& Chemical" into the company name—Ernest Hart became executive vp in charge of chemical operations.

"Then Food Machinery became my only hobby. I used to play golf assiduously; now I play it casually." In the early days, Ernest Hart also had time for wide-ranging spectator sporting, breeding race horses and extensive studies of Civil War history, all now just memories. The chemical group had to work hard to catch up with established machinery lines. When biochemist Hart became president four years ago, Dr Carl Prutton took over as executive vp in charge of the chemical divisions, continued to push chemical expansion. Last year chemicals contributed 42% of Food Machinery volume compared to 36% from machinery and 22% from defense work.

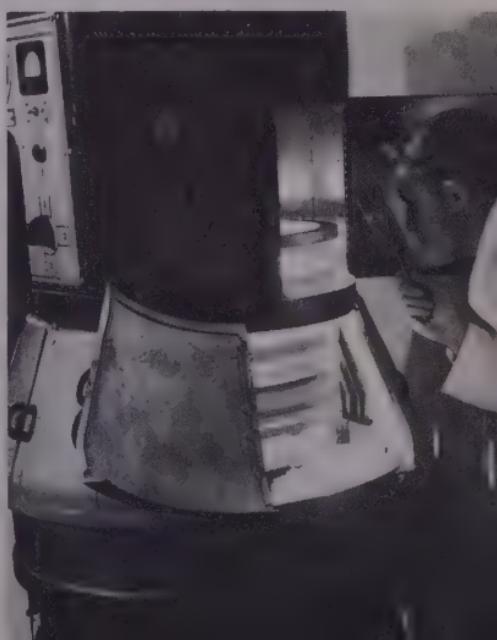
To further develop chemical potentials, Food Machinery will this year spend some \$3,800,000 in research & development. Study goes on in all its major fields: phosphates,

barium & magnesium chemicals; alkalies; chlorinated chemicals and carbon bisulfide; agricultural chemicals; organic and fine chemicals; plasticizers; peroxygen chemicals. In addition basic frontiers are explored at a two-year-old research center at Princeton, NJ.

Develop and Improve. Aim of chemical research is twofold: "First, development and production of products based on new chemicals as well as chemicals we already make; second, cost improvement." One example of success in the first category is a new, patented, high-quality, low-cost process for production of soda ash "not yet available to any other producer." As for cost improvement, although chemical sales dipped slightly last year, profits "increased significantly over 1957."

Still other research goes on at the company's "greatest chemical growth opportunity"—Petro-Tex Chemical Corp, a 50-50 owned subsidiary of FDM and Tennessee Gas Transmis-

Fadeometer tests plastics color



sion. Petro-Tex operates the nation's largest individual plant for the production of butadiene, a major ingredient in synthetic rubber. It also turns out isobutylene, di-isobutylene, butene 1 and 2 as well as alkylate used in high-test aviation gasoline. It is also working on two other "company-classified" compounds. The basis for what chemical-minded Hart feels is a "major petrochemical enterprise," Petro-Tex will spend some \$1,500,000 on R&D work this year.

On the other hand Petro-Tex space age subsidiary and FDM grandchild Grand Central Rocket is "not making any money—but it's not losing money this year." Through Petro-Tex, Food Machinery is now investing additional capital in this important rocket motor and solid fuels specialist (it is big in third stage rocketry). The new funds are to help Grand Central move from original

research work into production. With production facilities in operation Ernest Hart expects Grand Central will be in the black next year and subsequently "contribute substantially to earnings."

Still more research results may come from another partly owned subsidiary, AFN Inc (25% each by FDM and National Distillers, 50% by American Potash). In the strictly development end of Government-sponsored studies in boron, AFN was not touched by recent cancellation of boron fuel contracts; in fact its commitments have been expanded. Ernest Hart reports: "If the boron research does turn up something we will no doubt go into production. A whole new era of chemistry might develop out of use of boron as a building block just as we hope a whole new group of intermediates will develop out of our petrochemicals work."

Machinery Moves. The building blocks on which machinery expansion rises fall in two categories: research and acquisitions. Here again research, which goes under the title "engineering" in machinery areas, is carried on throughout FDM's five main "target areas": petroleum specialty equipment, packaging machinery, pumps, agricultural equipment and food processing machinery. Basic studies are also made at a central engineering facility at San Jose.

The results of the \$4,200,000 annual engineering expenditure round out product lines in the target areas. For instance in food machinery the company has recently introduced a new egg handler, an automatic grapefruit sectionizer and a peeler, also a

FDM orchard duster on the job



bread dough divider and rice sorter.

However the research result is often a new target. On the strength of handling device experience ("we have a warehouse machine which at the push of a button picks up the right product from a pallet and delivers it to a central assembly area for shipment") FDM has recently been selected by the Post Office Department to design and build a fully mechanized post office at Oakland. When completed this will be a multi-million dollar job. The FDM project is known as "Operation Gateway."

Actual R&D costs of the job, which is still in the "concept stage," are being paid by Uncle Sam. Ernest Hart feels if successful the project "has great potential for the adoption of similar devices for perhaps thousands of post offices in the US and probably in many foreign countries."

Although the bulk of FDM machinery expansion is via internal growth, acquisitions form a significant part of the pattern. Ernest Hart explains: "If we find a company has already completed R&D work and market penetration we would pick it up. It's cheaper than going through the time, effort and money on our own. For instance if we wanted to develop a certain type of valve for the oil well supply business, it might take five years. But on Thursday afternoon you can buy a company which already has it and be in business Friday morning." Recent acquisitions in keeping with this philosophy: Hamer Valve and Coffin Turbo Pump.

Defense Detail. Because of its dual deftness in both machinery and

chemicals, FDM this June copped a \$13,200,000 contract for design, construction and test operation of a Chemical Corps production facility near Newport, Ind. "Mechanical" chemist Hart details: "This is a highly classified deal—a unique new chemical never before produced incorporated in a unique new weapon. It calls for chemical capability and a machinery know-how—both our major skills. We believe we are the only company with this combination in depth."

An even more substantial Government award was a \$34,600,000 order for initial production of a new light-weight personnel carrier for the Army, the M113, the latest in the line of FDM amphibious carriers which started with the famed War II Water Buffalo. Previously the bulk of FDM work for the Government had been the heavier M59 personnel carrier which is now being phased out—hence the \$16-to-18,000,000 drop in 1959 defense billings. Deliveries of the new version, which is light enough to be airborne and air-dropped to give infantry new "fast and furious mobility," will begin early in 1960. Supplier Hart figures the "new business we have in hand will more than recover our loss in billings this year. And this first order is in the way of a pilot operation. We expect the military to place a whole lot of orders for this vehicle and we hope to participate in that business."

With this bustle in military work, chemicals and machinery plus the schedule for even more hustle next year, president Hart declares: "As-

suming the present normal relationship of the economy we could well expect a continuation of dynamic growth and a corresponding increase in sales and profits."

Improved results are not expected to be diluted by any new financing. There are now two preferred issues and \$64,000,000 long-term debt ahead of the 6,940,000 common shares. Executive Hart reports happily: "We've got all kinds of money; the end of last year we had the highest current assets ever; we are still accumulating for future possibilities."

Some of this money will be committed for soon-to-be actualities. This year FDM budgeted some \$16,000,000 in capital expenditures; for

next year it has scheduled approximately \$18,000,000 worth of outlays. About \$14,000,000 of this will come from depreciation run-off, the rest from retained earnings. However Ernest Hart adds with a twinkle in his eye: "There may be a big balloon added to that \$18,000,000. We're working on something entirely foreign to anything we've ever done before which if successful could completely revolutionize a major industry. We've been through pilot operations and are moving toward semi-production but we won't have any announcement for some time." Till then he parries: "Just remember at Food Machinery something is always happening."

Cost-Conscious Virginia Electric

Above-Par Margins And Recession Resistance For Growing Southerner

IN THE comfortable Richmond offices of Virginia Electric & Power Company (commonly known as "Vepco") the other day president Alfred Henderson ("Pete") McDowell emphasized: "Our management is dedicated to the control of operating costs for this is the only way we can curb inflation." He immediately cited some prime evidence of inflation fighting: "In 30 years we have had only one rate increase and that was in 1954. We have assimilated virtually all of the rising costs internally."

Vepco provides electricity to 734,000 customers in a diversified area covering most of Virginia,

about a tenth of North Carolina and a small part of West Virginia which accounts for the bulk of company volume. But it also serves 95,000 gas customers in the Norfolk and Newport News area who provide 8% of total revenues.

Utilities generally have proved pretty recession resistant but Vepco made out better than many last year. Erwin Hoge Will who heads the executive committee and is vice chairman of the board tells this part of the Vepco story: "Because of the diversified area we serve, we were affected less than other utilities." He rolls out the statistics: "In 1958 the average national increase in kwh output was 2%. Our neighbors in the Southeast increased 3% but Vepco's output climbed 7% to

nearly 7½ billion kwh. Consequently this year we started out on a much higher base. But where in the first 37 weeks the national average rose 10% and the Southeast 7%, Vepco produced 13% more kwh than in the same 1958 period."

Profit Tale. Vepco also has a habit of topping its own records on the income statement. In each of the past ten years both sales and profits have climbed to new highs. All in all since 1948 revenues have risen 177% to last year's \$140,000,000 while in the same decade profits increased nearly sixfold to \$24,000,000 or \$1.66 a share last year.

Executive Will proudly adds: "In the August *Fortune* ranking of all utilities we stood 34th in gross revenues. However in net income we were 20th. That shows we have done better in profit margins than most utilities our size and we continue to improve the picture."

Native Virginians Will and McDowell have a right to be proud of Vepco's progress. Each joined the utility right after college graduation (Will came from VPI in 1922, McDowell from VMI in 1928). In 1935 Erwin Will left the company but not the utility business and became president of El Paso Electric. He returned to Vepco in 1947, steadily moved up the executive ladder and was elected president in 1956. A year ago April he took over his present positions and Pete McDowell advanced from manager of operations to president.



Powermen McDowell and Will

Actually all 21 of Vepco's top VIPs can boast at least 27 years of utility experience. To fortify the executive skills all "supervision people right down to the line foreman" have been brought in during the past 2½ years for an intensive two-week training course. Prexy McDowell says: "We really throw everything at them from company policy to accounting and management problems. Besides being good for morale the program has made the men constantly aware of the necessity for keeping costs down."

Coal Cuts. One bright example of keeping costs in check: "Our buyers have been able to reduce the cost of coal greatly." This is an important consideration since the company generates most of its electricity in steam plants and uses a hefty 2,500,000 tons of coal a year. The business is also important for the Pocahontas railroads like Chesapeake & Ohio and Norfolk & Western which derive more than \$10,000,000 annually from carrying coal to Vepco.

"Always concerned with the rising

cost of fuel," the utility showed the carriers it could more cheaply generate electricity right at the mouth of its coal mine in West Virginia and then "haul by transmission line" rather than by rail. Vepco made its point and the carriers "to remain competitive" reduced their rate by 35¢ a ton in 1958. The Government's removal of the 4¢ a ton transportation tax last year provided another saving.

With these reductions plus "sound judgments by our purchasing department" Vepco gets its coal for 74¢ less a ton than it did in August 1958. President McDowell admits: "We are negotiating further freight and purchasing reductions but we are now right at the crucial stage so to say more at this time would be imprudent."

However Pete McDowell will freely explain other moves to bolster profit margins. "We use bimonthly billing for 97% of our customers" outside Norfolk and Newport News. These cities are excepted because service there covers both electricity and gas and "we wouldn't like to carry a load like that for two months." The bimonthly system saves \$2,000,000 a year on operating expenses." Use of scientific random sampling techniques permits the company to check only 8,000 meters for accuracy annually instead of 100,000; this "saves us another \$250-to-300,000 a year."

Vepco has also shown determination to stay trim while enjoying the tremendous growth in power demand. In the past five years the company has added 120,000 cus-

tomers. What is more, the average residential consumer uses one-third more electricity than he did in 1954. All told the company now sells 62% more kwh than five years ago. But in the same period Vepco has managed to cut down on personnel. The current work force of 5,026 consists of "75 fewer employees than in 1954."

Pennywise. Vepco does not believe in "letting cash lie idle for over three days." President McDowell offers a recent example: "A few days ago we had \$4,000,000 we didn't need for four or five days. We bought Government bills having a four-day maturity and so made a quick \$1,500 on the transaction." Altogether Vepco in 1958 received over \$300,000 from investments of surplus cash in Government bills; this year "the figure will be around \$600,000."

Another Vepco policy is to do its financing on a permanent scale rather than borrow from banks. In the past decade it has spent \$460,000,000 on new construction; to pay for this, \$327,000,000 has been raised by bond and stock issues. The most recent was a rights offering of 710,000 common shares for \$23,000,000 in June. Since Vepco believes in "keeping 50% of its capitalization in debt" the next offering slated for June, 1960 "will probably be in some form of debt securities."

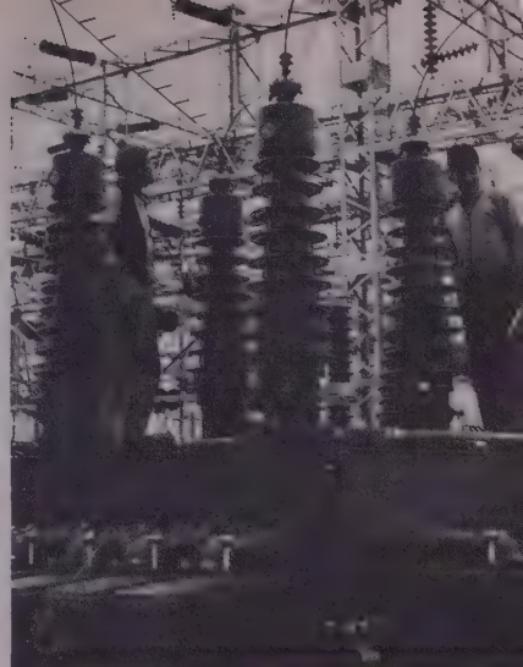
Vepco continues to grow financially. In the twelve months to August revenues climbed 8% and net income rose 5% to \$27,000,000. This works out to \$1.62 a share or the identical profit reported in the same

1957-58 period. Thus Vepco has overcome the 710,000 share dilution. Wall Streeters estimate earnings in the \$1.65 area for the calendar year and expect the advance in share earnings (uninterrupted since 1951) to resume next year.

Future Fare. Although he will make no definite predictions Pete McDowell is "very confident about the future." He cites Vepco's big expansion plans as an indication of faith. "We plan to spend \$60-to-65,000,000 annually for the next three or four years on new construction and the figure may go as high as \$70-to-75,000,000 if the FPC approves our 200,000 kw hydro plant on the Roanoke River at Gaston, NC." After winning a battle against public power adherents in the courts, Vepco finished one 100,000 kw facility on the Roanoke in 1955. The present plan for added hydro power has been before the commission since 1951 (IR, June 15, 1953) but president McDowell expects approval to come soon and "we will probably bring it in sometime in 1964."

Vepco just finished a 170,000 kw steam plant at Portsmouth and "in August the board approved plans for another 220,000 kw addition there." It will be finished in 1962 along with a 220,000 kw steam installation at Possum Point, Va (near Washington). Altogether Vepco will have a capacity of over 2,500,000 kw by 1962. Incidentally 84% of its present 1,998,000 kw capability has been installed since 1948.

The current capitalization consists of \$285,000,000 funded debt plus 614,000 preferred shares (divided



Vepco substation maintenance

into four series) ahead of the 14,900,000 common shares. On the Big Board the common quintupled from its adjusted low around 7 in 1948 to nearly 40 this year while dividends gradually rose from 45¢ to the current \$1.10 a year. At press-time the stock had settled back to 36. This leaves the yield at a relatively modest 3%.

President McDowell says the dividend "will be reviewed at the November meeting. But just because it has been raised in each of the past four years does not imply an increment this year." However he does allow: "We think a 70-to-75% payout is reasonable and in recent years it has fallen below that [to about 66%]. Sometime in the future we will get back to that ratio but at present we need the earnings for expansion to insure our continued growth."

United Aircraft Eyes the Missile Age

Launches Wide Range of Projects but Keeps Faith In Engines and Copters

BESET by ever-greater uncertainties of Government contracts, heavy company-underwritten research expenses and tremendous write-offs of development costs on commercial projects, many aircraft companies have logged some unhappy financial flights of late and some top plane builders have even dipped into the red.

A somewhat separate case is United Aircraft Corp. Not in the airframe business at all since it spun off Chance Vought in 1954, this Hartford-centered, high-quality New England producer has always been one of the largest and strongest members of the industry with a leading position in engines, propellers and helicopters.

Unfortunately each of these categories is involved in technological shifts which may require deepseated adjustments. Propellers are going almost though not quite the way of the automobile hand crank. The helicopter concept faces increasing challenge from advocates of short and vertical take-off planes; more important for the near term, the whirlybirds are caught temporarily in the transition from piston to turbine power. Aircraft engines which account for probably close to three-quarters of United's business are currently doing fine with military volume backed by heavy commercial orders for the large transport planes. But while the civil jet age is

launched in full flight, the Air Force only last month canceled the North American F-108 contract, leaving the B-70 the only and presumably last manned combat plane in the Air Force future.

United is spending heavily to develop new if mostly related interests. But at this stage the hefty research & development expenditures coupled with moderate slackening in current sales has put earnings in a down-glide which is expected to continue for at least two more years though the company expects to remain well in the black. In August directors cut the quarterly dividend from 75¢ to 50¢ and the 6,400,000 United Aircraft ("UR") common shares have tumbled from their all-time high of 80 in 1956 to around 40 last week.

While by no means downgrading United's effort for a foothold in new propulsion fields, chairman Horace Mansfield Horner stoutly maintains: "We expect the biggest part of the future to be in air transport, that is engines and helicopters. In dollars I do not look for any great decrease in engine sales. There will be fewer engines but they will cost more."

"Jack" Horner continues: "I realize we're very unpopular and in the minority here but we do not believe in the end of the manned combat plane. You cannot fight a Korea with a ballistic missile. We have got to have top missiles, every bit as good as those of our potential opponents, but when both sides have them, I believe any future war will

be fought with other type weapons —at least I'd certainly hope so."

Engine Backlog. For the present and at least until 1963, United's engine building Pratt & Whitney division will work busily on the J57 (JT-3 in civilian usage) or its more powerful cousin, the J75 (civilian JT-4). The 57s have gone into many of the Century Series fighters and the Snark missile and power the mighty B-52 intercontinental bombers. The 75s are used on the Republic F-105 Thunderchief and the Hound Dog missile. Furthermore, the two engines are the standbys of the new Boeing and Douglas long-range commercial jets.

An interesting (and for United a profitable) development is the sudden airline interest in turbofans, engines in which blades attached to the outside of the turbine provide greater power with less noise. Both American and United Air Lines have already announced they expect to convert all their JT-3 engines to turbofans. Engines delivered starting next Summer will be the turbofan version. Those received earlier will be turbofanned by the lines themselves. Explains Jack Horner: "The modification can be done during the regular engine overhaul. They buy a kit from us for about \$75,000. It is a good business for us." The turbofan version of the 57 will also be used in the B-52H line of bombers now abuilding.

A new and promising member of the P&W engine family is the JT-12 (military designation J60). A small, lightweight engine with 3,000-pound thrust (v about 17,500 pounds

for the J75), the JT-12 will power the North American T-39 trainer, all three competitors in the light utility jet class and a couple of drones, is also promising for light civilian craft. The engine which sells at about \$50-to-60,000 was developed at United's own expense. "We felt there was a big enough market for such a small engine and spent over \$50,000,000 on development; we hope to get it all back." P&W men think it might have a 12-to-15 year production life.

Rocket Race. Despite its faith in manned aircraft, United is aware of the increased pressure for rocket engines and other new forms of propulsion for the military future and is working hard on new types of equipment in which "the corporation's position is as yet modest although improving." Jack Horner provides some background: "During 1950-57

J57s on the assembly line



we had our engineering force fully occupied with projects which were at that time considered essential to the defense of the country and if we had gone into work on rocket engines we might not have had the J57s and 75s ready when they were needed. In 1957 we had some contract cancellations and we acquired new facilities in Florida. This gave us the extra capacity so since then we have been hard at work on rocket engines. Our liquid hydrogen rocket engine for the Centaur [the third and possibly fourth stage for the huge space probing Saturn rocket] is now undergoing tests in Florida. Our solid fuel rocket we hope to field-test by next Summer."

In some ways United's recent position has been compared to its problems near the end of War II when it was fully occupied with essential piston projects and consequently gave Britain a long head start in the development of jet engines. But Jack Horner concedes: "We were in a very different position then—especially as our J57 hit the jackpot, thank goodness." He adds: "It is more difficult to get any major jump now than it was then. But we will give it a good college try—which unfortunately is very expensive."

United is also busy on a nuclear engine project where "thanks to a number of developments we now feel much better about the nuclear engine as a practical power plant."

Another project is the Hydrox fuel cell on which United is working in conjunction with Universal Winding which has the basic British patent rights for the US. The Hydrox

actually takes the separate elements and makes electricity from them. It "has a tremendous potential but it is strictly research now though we are going to work very hard at it. But I can assure you that it is not included in the profit forecast we make for the directors."

Copter Confidence. Turning to helicopters, Jack Horner first defends their long-term potential. He argues STOL (short take-off and landing) craft are "really not a competitive type. You need the ability to go straight up & down to land, say, at 30th Street in Manhattan or for many key military uses." As for VTOL (vertical take-off), he snaps: "That's just what a helicopter is."

He looks ahead to plenty of business within a few years. "With the advent of the turbine, the copter is a new animal. We look for complete re-equipment orders for all the commercial transport as well as military transport copters." The copter business is also helped by licensees in France and Britain which "not only provide us with royalties but also purchase a good deal of equipment from us for components."

Chairman Horner expects to start turbine helicopter deliveries of the S-61 turbine copter by late 1961. While the changeover to turbines is underway, United's Sikorsky helicopter division is admittedly declining further, with the low point expected some time in 1960.

From Props to Jet Aids. The third major United division, Hamilton Standard has for years been busy on various projects to replace its propeller business. It has become a

specialist in aircraft air conditioning and pressurization as well as assorted turbine and missile equipment. In fact "our accessory equipment sales at Hamilton are now greater dollar-wise than the propeller business in 1950 and even in 1951. Of course our total corporate volume has gone up substantially since then." Overall, "Hamilton hit bottom early this year, is now definitely coming up."

So is the Norden division which however remains a minor part of the United operation. Formerly the Norden-Ketay Corp, it was acquired in Summer 1958. It is a specialist in various phases of electronics.

Jack Horner is not unmindful of the possibility of further acquisitions. "We are looking for something all the time, and probably in some phase of electronics. But we have nothing specific underway at this stage and we are not in mind to pay four-to-five times book value for any company." This feeling is no doubt enhanced by the fact United itself currently sells at just about its \$39 a share book value and this book value is "goddam conservative."

Blessed Banks. Despite recent strain United Aircraft's entire capitalization is also quite conservative. There are two \$4 convertible preferreds totalling less than 350,000 shares. There is no funded debt since United has been able to finance through heavy bank loans which mounted from \$21,600,000 at the end of 1957 to \$52,000,000 this June to approximately \$70-to-80,000,000 now and "it will probably be going over \$100,000,000." Jack Horner adds: "Since the banks, God bless

them, are willing to carry us, I do not think we need any long-term financing. If we can weather the next few years we should be OKay."

Earnings also will presumably have to weather the next few years. "Our present crystal-ball for a reversal is 1962 but we may be able to switch it into 1961. Of course it could happen any time. If Douglas does not build a DC-9, it will save us \$50,000,000 in engine development expenses for next year—though of course that is an investment which we would expect to get back later on. Or if the Navy decides it would like that DC-9 engine for its new missile carrying plane, that would also take care of the development expense."

Basically however United expects to foot most of its research & development overhead expenses which came to \$12,300,000 in the first half of 1959 and "I expect it to run around \$18,000,000 in the second half." Next year they may "increase a further 50% or more."

As a result, though United maintained its sales at over \$1 billion, earnings dipped from \$51,400,000 or \$7.97 a share in 1957 to \$6.41 a share last year. In the first six months of 1959 they were down to \$2.36 v \$3.44 and a sharper drop is expected in the final half, with continued decline next year. But with volume expected to stay somewhat above the \$1 billion mark the company expects to be in good shape to fly through the storm—"we certainly could not handle \$45,000,000 in research next year if we did not have this huge volume."

EXCISE EXTRAVAGANZA

It is not that the gallon has grown larger in the past thirty years—or cigarettes that much more king-sized. The illustrations on the adjoining page merely represent the rise in price of three consumer standbys. And in each case by far the greatest part of the increase comes not from the cost of the product itself (blue tint) but from ever-mounting Federal and State taxes (blue and black areas).

In fact gasoline itself costs less today than in the early Twenties and only about 3¢ more than in 1929—despite the fact today's regular (about 91 octane) gas is far more powerful than the 59-octane fuel of three decades ago. But if oilmen get little more for their product, the tax collectors get plenty. The little dollar & cent dials in the filling station pump revolve at half again the speed of the 1929 models—registering an average 31 1/2¢ a gallon v less than 21 1/2¢.

The painful details: in '29 the States tacked on an average 3 1/2¢ a gallon in excise tax; today their take comes to over 6¢ a gallon. Meantime the Federal Government which did not tax gas till 1932 (a "temporary" 1¢ a gallon to raise Depression-fighting funds) now collects 4¢ a gallon. This includes the latest penny a gallon boost which Congress reluctantly authorized to start this month so the Federal highway program would not collapse. The special penny levy is supposed to expire in June 1961 but so far in the history of gasoline taxes no "temporary" rise has ever been rescinded.

The American Petroleum Institute sadly notes the new rates bring the total Federal & State levy to nearly 50% of the pre-tax retail price; in seven states it comes to 55%. Nor does this take account of various local sales taxes like the 3% New York City levy pyramided atop the other charges. Last year the US Treasury and the States collected \$4.7 billion from motor fuel taxes—a sum which, the API recalls, would have been almost sufficient to run the entire US Government just two decades ago. The latest round of hikes by Uncle Sam and several states is expected to boost the take to \$4.8 billion this year and \$5.4 billion in 1960.

The second heftiest excise tax contribution comes from the distillers who last year forked over \$2.1 billion to the Federal Government, \$725,000,000

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CIGARETS

9¢

6¢

1929

14¢

8¢

5¢

1959

GASOLINE

3½¢

18¢

6¢

4¢

21¢

1929

1959

LIQUOR

\$2.54

1935

.36

.13

1959

.30

\$1.89

\$3.68

FED TAX

STATE TAX

PRETAX COST

to the States. Tax costs represent well over half the total whiskey dollar on the distiller level. The whiskey maker must pay \$10.50 a gallon to the Federal Government for liquor on which his average (tax-included) price is about \$16.50. Since the Federal tax is based on the manufacturer's "proof gallon" of 100-proof liquor before bottling, an exact breakdown of tax costs for consumers are hard to figure. But a typical fifth of 90-proof whiskey might today retail for \$5.87 out of which the Federal revenoers would drain 32% while local collectors took another 5% swig. For obvious reasons, no 1929 comparisons are available but in 1935 when a similar fifth might sell around \$3.03 the Federal share (\$2 a proof gallon) was a little over 10% and the States collected 4%.

No 3 excise tax payers are cigarettes with Federal, State and municipal taxes making up just about half of the 30¢ a pack paid by the average smoker today. Last year Federal taxes brought in \$1.7 billion or four times the sum collected in 1929. State and city levies totaled \$679,000,000 which is a smokefilled 55 times the amount they collected 30 years ago.

TAKE TIME

There's an anecdote we like in "The Crime of Sylvester Bonnard," by Anatole France:

"One of my fellow members of the Institute was lamenting before me over the ennui of becoming old. 'Still,' St. Beuve replied to him, 'it is the only way that has yet been found of living a long time!'"

True enough. And in this scientific century, people are living longer and longer. This is cause for celebration, of course—but it's also a source of worry. Because older people with time on their hands need money in their pockets, and retirement income is something that has to be planned for in advance.

Since it's never too early to start making retirement plans, maybe it's high time you thought about the leisure years to come. One wise move would be to outline your financial situation in a letter to our Research Department, who will then send you their suggestions on investing for your vintage years. It's a step in the right direction if you want to follow Jonathan Swift's exhortation, "May you live all the days of your life."

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